



Moroni City
Sanpete County, Utah

ANNUAL FINANCIAL REPORT

For the Year Ended June 30, 2006

Moroni City
TABLE OF CONTENTS
June 30, 2006

	Beginning on <u>Page</u>
INDEPENDENT ACCOUNTANT'S REPORT	1
MANAGEMENT'S DISCUSSION AND ANALYSIS	3
BASIC FINANCIAL STATEMENTS	13
Government-wide Financial Statements:	
Statement of Net Assets	15
Statement of Activities	16
Fund Financial Statements:	
Balance Sheet - Governmental Funds	18
Statement of Revenues, Expenditures, and Changes in Fund Balances - Governmental Funds	19
Reconciliation of the Balance Sheet of Governmental Funds to the Statement of Net Assets	20
Reconciliation of the Statement of Revenues, Expenditures, and Changes in Fund Balances of Governmental Funds to the Statement of Activities	21
Statement of Net Assets - Proprietary Funds	22
Statement of Revenues, Expenses, and Changes in Fund Net Assets - Proprietary Funds	23
Statement of Cash Flows - Proprietary Funds	24
Notes to the Financial Statements	26
REQUIRED SUPPLEMENTARY INFORMATION	41
Schedule of Revenues, Expenditures, and Changes in Fund Balances - Budget and Actual - General Fund	44

(Continued on next page)

Moroni City
TABLE OF CONTENTS (continued)
June 30, 2006

	Beginning on <u>Page</u>
(Continued from previous page)	
SUPPLEMENTARY INFORMATION	45
Sewer Related Data and Insurance Coverage	47



INDEPENDENT AUDITOR'S REPORT

Jensen & Keddington, P.C.

Certified Public Accountants

Jeffrey B. Jensen, CPA
Gary K. Keddington, CPA
Brent E. Christensen, CPA
Jeffrey B. Hill, CPA

Honorable Mayor and
Members of City Council
Moroni City Corporation
Moroni, Utah

We have audited the accompanying financial statements of the governmental activities, the business-type activities and each major fund of Moroni City Corporation as of and for the year ended June 30, 2006, which collectively comprise the City's basic financial statements as listed in the table of contents. These financial statements are the responsibility of Moroni City Corporation's management. Our responsibility is to express an opinion on these financial statements based on our audit.

We conducted our audit in accordance with auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Governmental Auditing Standards*, issued by the Comptroller General of the United States. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free of material misstatement. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements. An audit also includes assessing the accounting principles used and significant estimates made by management, as well as evaluating the overall financial statement presentation. We believe that our audit provides a reasonable basis for our opinion.

In our opinion, the financial statements referred to above present fairly, in all material respects, the respective financial position of the governmental activities, the business type-activities and each major fund of Moroni City Corporation as of June 30, 2006, and the respective changes in financial position, and the cash flows, where applicable, for the year then ended in conformity with accounting principles generally accepted in the United States of America.

In accordance with *Government Auditing Standards*, we have also issued a report dated October 27, 2006 on our consideration of Moroni City Corporation's internal control over financial reporting and our tests of its compliance with certain provisions of laws, regulations, contracts and grants agreements and other matters. The purpose of that report is to describe the scope of our testing of internal control over financial reporting and compliance and the results of that testing, and not to provide an opinion on the internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with *Government Auditing Standards* and should be read in conjunction with this report in considering the results of our audit.

The management's discussion and analysis and budgetary comparison information, as noted on the table of contents, are not a required part of the basic financial statements but is supplementary information required by the accounting principles generally accepted in the United States of America. We have applied certain limited procedures, which consisted principally of inquiries of management regarding the methods of measurement and presentation of the supplementary information. However, we did not audit the information and express no opinion on it.

Our audit was conducted for the purpose of forming an opinion on the financial statements that collectively comprise the Moroni City Corporation's financial statements. The Sewer Related Data and Insurance Coverage are presented for purposed of additional analysis and are not a required part of the basic financial statements. The Sewer Related Data and Insurance Coverage have not been subjected to the auditing procedures applied in the audit of the basic financial statements and, accordingly, we express no opinion on them.

Terrence & Keddington

October 27, 2006

MANAGEMENT'S DISCUSSION AND ANALYSIS

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Moroni City
Management's Discussion and Analysis
June 30, 2006

As management of Moroni City (the City), we offer readers of the City's financial statements this narrative overview and analysis of financial activities of the City for the fiscal year ended June 30, 2006.

FINANCIAL HIGHLIGHTS

- *Total net assets for the City as a whole increased by \$164,092.
- *Total unrestricted net assets for the City as a whole decreased by \$8,274.
- *Total net assets for governmental activities increased by \$58,806.
- *Total net assets for business-type activities increased by \$105,285.

BASIC FINANCIAL STATEMENTS

This discussion and analysis is intended to serve as an introduction to the basic financial statements of Moroni City. The basic financial statements comprise three components: (1) government wide financial statements, (2) fund financial statements, and (3) notes to the financial statements.

Government-wide financial statements. The government-wide financial statements are designed to provide readers with a broad overview of the City's finances, in a manner similar to a private-sector business.

The statement of net assets presents information on all of the City's assets and liabilities, with the difference between the two reported as net assets. Over time, increases or decreases in net assets may serve as a useful indicator of whether the financial position of the City is improving or deteriorating.

The statement of activities presents information showing how the City's net assets changed during the fiscal year reported. All changes in net assets are reported as soon as the underlying event giving rise to the change occurs, regardless of the timing of related cash flows. Thus revenues and expenses are reported in this statement for some items that will only result in cash flows in future fiscal periods.

Both of the government-wide financial statements distinguish functions of the City that are principally supported by taxes and intergovernmental revenues (governmental activities) from other functions that are intended to recover all or a significant portion of their costs through user fees and charges (business-type activities). The statement of activities is presented on two pages. The first page reports the extent to which each function or program is self-supporting through fees and intergovernmental aid. The second page identifies the general revenues of the City available to cover any remaining costs of the functions or programs.

Moroni City
Management's Discussion and Analysis
June 30, 2006

Fund financial statements. A fund is a grouping of related accounts that is used to maintain control over resources that have been segregated for specific activities or objectives. The City also uses fund accounting to ensure and demonstrate compliance with finance-related legal requirements. All of the funds of the City can be divided into two categories: governmental funds and proprietary funds.

Governmental funds. These funds are used to account for the same functions reported as governmental activities in the government-wide financial statements. Governmental fund financial statements focus on near-term inflows and outflows of spendable resources, as well as on balances of spendable resources available at the end of the fiscal year.

Because of the focus of governmental funds is narrower than that of the government-wide financial statements, it is useful to compare the information presented for government funds with similar information presented for governmental activities in the government-wide financial statements. By doing so, readers may better understand the long-term impact of the government's near-term financing decisions. Both the government fund balance sheet and the government fund statement of the revenues, expenditures, and changes in fund balances provide reconciliation to facilitate this comparison between governmental funds and governmental activities.

The City's two governmental funds, the general fund and the cemetery perpetual care fund, a permanent fund, are reported as major governmental funds.

The City adopts an annual appropriated budget for its general and capital project funds. A budgetary comparison schedule has been provided to demonstrate legal compliance with the adopted budget for the general fund.

The basic governmental fund financial statements can be found later in this report; see Table of Contents.

Proprietary funds. The City maintains one type of proprietary fund. Enterprise funds are used to report the same functions presented as business-type activities in the government-wide financial statements. The City uses three enterprise funds to account for the operations of the water, sewer, and irrigation utilities.

Proprietary funds provide the same type of information as the government-wide financial statements, only in more detail. The enterprise funds are considered major funds of the City.

The proprietary fund financial statements can be found later in this report; see Table of Contents.

Notes to the financial statements. The notes provide additional information that is essential to a full understanding of the data provided in the government-wide and fund financial statements. The notes to the financial statements are reported later in this report; see Table of Contents.

Other information. In addition to the basic financial statements and accompanying notes, this report also presents certain required supplementary information concerning the City.

Moroni City
Management's Discussion and Analysis
June 30, 2006

FINANCIAL ANALYSIS

Moroni City's Net Assets

	<u>Governmental Activities</u>		<u>Business-type Activities</u>		<u>Total Current Year</u>	<u>Total Previous Year</u>
	<u>Current Year</u>	<u>Previous Year</u>	<u>Current Year</u>	<u>Previous Year</u>		
Current and other assets	\$ 531,330	511,634	1,432,376	2,098,342	1,963,707	2,609,976
Capital assets	1,128,165	1,157,761	8,065,028	4,416,247	9,193,193	5,574,008
Deferred bond issue costs	-	-	35,890	35,890	35,890	35,890
Total assets	<u>1,659,496</u>	<u>1,669,395</u>	<u>9,532,294</u>	<u>6,550,479</u>	<u>11,192,790</u>	<u>8,219,874</u>
Other liabilities	166,901	185,606	407,899	141,457	574,800	327,064
Long-term liabilities	<u>250,000</u>	<u>300,000</u>	<u>5,125,000</u>	<u>2,513,912</u>	<u>5,375,000</u>	<u>2813,912</u>
Total liabilities	<u>416,901</u>	<u>485,606</u>	<u>5,532,899</u>	<u>2,655,370</u>	<u>5,949,800</u>	<u>3,140,976</u>
Net assets:						
Invested in capital assets, net of debt	828,165	807,761	3,400,191	3,478,613	4,228,357	4,286,374
Restricted	306,522	282,577	416,640	210,204	723,163	492,780
Unrestricted	<u>107,907</u>	<u>93,451</u>	<u>183,563</u>	<u>206,293</u>	<u>291,470</u>	<u>299,744</u>
Total net assets	<u>\$1,242,595</u>	<u>1,183,789</u>	<u>4,000,395</u>	<u>3,895,109</u>	<u>5,242,990</u>	<u>5,078,898</u>

As noted earlier, net assets may serve over time as a useful indicator of financial position. Total assets exceeded total liabilities at the close of the year by \$5,242,990, an increase from the previous year of \$164,092. This change is equivalent to the net income for the year, in private sector terms.

Total unrestricted net assets at the end of the year are \$291,470 which represents a decrease of \$8,274 from the previous year. Unrestricted net assets are those available to finance day-to-day operations without constraints established by debt covenants, enabling legislation, or other legal requirements.

The amount of current and other assets represent the amounts of cash and receivables on hand at the end of each year. Other liabilities are the amounts of current and other assets due, at year end, for goods and services acquired.

Changes in capital assets are the result of the difference, in the current year, of the cost of acquisition of capital assets and any depreciation charges on capital assets. Change in long-term debt is the difference in the amount of debt issued and that which has been paid during the year.

Moroni City
Management's Discussion and Analysis
June 30, 2006

FINANCIAL ANALYSIS (continued)

Moroni City's Changes in Net Assets:

	<u>Governmental Activities</u>		<u>Business-type Activities</u>		<u>Total Current Year</u>	<u>Total Previous Year</u>
	<u>Current Year</u>	<u>Previous Year</u>	<u>Current Year</u>	<u>Previous Year</u>		
Program revenues:						
Charges for services	\$117,052	129,430	322,928	358,117	439,979	487,546
Operating grants	57,941	49,055	-	-	57,941	49,055
Capital grants	-	42,900	367,644	318,739	367,644	361,639
General revenues:						
Property taxes	126,762	133,984	-	-	126,762	133,984
Sales taxes	140,823	124,087	-	-	140,823	124,087
Other taxes	32,619	18,521	-	-	32,619	18,521
Other revenues	21,115	18,460	49,696	18,156	70,811	36,616
Total revenues	<u>496,311</u>	<u>516,435</u>	<u>740,267</u>	<u>695,012</u>	<u>1,236,579</u>	<u>1,211,448</u>
Expenses:						
General government	136,125	120,670	-	-	136,125	120,670
Public safety	111,820	121,026	-	-	111,820	121,026
Street and highways	84,532	75,468	-	-	84,532	75,468
Parks and recreation	105,029	94,146	-	-	105,029	94,146
Water	-	-	219,519	213,543	219,599	213,543
Sewer	-	-	299,822	114,597	299,822	114,597
Irrigation	-	-	115,560	64,272	115,560	64,272
Total expenses	<u>437,505</u>	<u>411,310</u>	<u>634,982</u>	<u>392,413</u>	<u>1,072,487</u>	<u>803,723</u>
Excess (deficiency) before transfers	58,806	105,125	105,285	302,600	164,092	407,725
Transfers	-	-	-	-	-	-
Change in net assets	\$ <u>58,806</u>	<u>105,125</u>	<u>105,285</u>	<u>302,600</u>	<u>164,092</u>	<u>407,725</u>

Total revenues decreased by \$172,869, while total expenses increased by \$70,764. The total net increase for the year of \$164,092 is a decrease from the previous year of \$243,633.

Governmental activities revenues of \$496,311 is a decrease of \$20,124 from the previous year. The increase in taxes and other revenues is offset by a decrease in charges for services and capital grants during the year. Governmental activities expenses of \$437,505 is an increase of \$26,195 from the previous year.

Business-type activities revenue of \$740,267 is an increase of \$45,255 from the previous year. Business-type activities expenses of \$634,982 represents an increase of \$242,569 from the previous year. This is a result of a sewer fund grant of \$198,000 received in a prior year being returned during the current year and an increase in operating expenses in the irrigation fund.

Moroni City
Management's Discussion and Analysis
June 30, 2006

BALANCES AND TRANSACTIONS OF INDIVIDUAL FUNDS

Some of the more significant changes in fund balances and fund net assets and any restrictions on those amounts is described below:

General Fund

The fund balance in the general fund of \$195,006 reflects an increase of \$29,333 from the previous year. Total revenues decreased by \$24,143. Tax revenues, including property taxes and sales taxes decreased by \$23,612. Intergovernmental revenues decreased by \$34,013. All other revenues, excluding transfers, decreased by \$13,742.

Total expenditures decreased by \$2,592. Expenditure changes, by department, excluding capital outlay: administrative increased by \$10,680, public safety (fire, police and animal control) decreased by \$10,384, streets and highways increased by \$9,064, and parks and recreation increased by \$10,883. Total expenditures for capital outlay for all departments decreased by \$26,760.

Net assets restricted for debt service and class C roads amount to \$87,099.

Water Fund

Net assets restricted for debt service amount to \$130,869. Unrestricted net assets amount to \$216,120.

Sewer Fund

Net assets restricted for debt service and construction amount to \$144,127. Unrestricted net assets amount to \$57,688.

Irrigation Fund

Net assets restricted for debt service and construction amount to \$141,645. Unrestricted net assets is a deficit in the amount of \$90,245.

GENERAL FUND BUDGETARY HIGHLIGHTS

Revenues and expenditures were originally budgeted at \$466,500 and \$483,350, respectively. There were no changes to the budget during the year. Actual revenues exceeded budget expectations by \$20,743 and actual expenditures were less than budget by \$25,440.

Moroni City
Management's Discussion and Analysis
June 30, 2006

CAPITAL ASSET AND DEBT ADMINISTRATION

Moroni City's Capital Assets (net of depreciation):

	<u>Governmental Activities</u>		<u>Business-type Activities</u>		<u>Total Current Year</u>	<u>Total Prior Year</u>
	<u>Current Year</u>	<u>Previous Year</u>	<u>Current Year</u>	<u>Previous Year</u>		
Net Capital Assets:						
Land and water rights	\$ 2,051	2,051	24,155	24,155	26,206	26,206
Buildings	345,725	357,740	80,220	83,050	425,945	440,790
Improvements other than buildings	104,173	107,974	26,626	31,951	130,798	139,925
Equipment	226,701	218,552	2,520	4,323	229,221	222,875
Infrastructure	449,516	471,444	-	-	449,516	471,444
Water system	-	-	1,760,818	1,874,160	1,760,818	1,874,160
Sewer system	-	-	888,726	257,972	888,726	257,972
Irrigation system	-	-	1,693,588	1,745,928	1,693,588	1,745,928
Work in progress	-	-	3,588,375	394,708	3,588,375	394,708
Totals	<u>\$1,128,165</u>	<u>1,157,761</u>	<u>8,065,028</u>	<u>4,416,247</u>	<u>9,193,193</u>	<u>5,574,088</u>

The total amount of capital assets, net of depreciation, of \$9,193,193 is an increase of \$3,619,185 from the previous year.

Governmental activities capital assets, net of depreciation, of \$1,128,165 is a decrease of \$29,595 from the previous year.

Business-type activities capital assets, net of depreciation, of \$8,065,028 is an increase of \$3,648,741 from the previous year. This is due to the construction in progress of the sewer treatment plant.

Additional information regarding capital assets may be found in the notes to financial statements.

Moroni City
Management's Discussion and Analysis
June 30, 2006

CAPITAL ASSET AND DEBT ADMINISTRATION (continued)

Moroni City's Outstanding Debt - Revenue Bonds

	Current Year	Previous Year
Governmental activities:		
GLTD PCIB bond	\$ <u>300,000</u>	<u>350,000</u>
Total governmental	<u>300,000</u>	<u>350,000</u>
Business-type activities:		
Water fund:		
Water revenue 1968A	1,912	3,940
Water bond 1999	388,000	412,000
Sewer fund:		
Sewer revenue 2005	750,000	750,000
Sewer revenue 2005A	3,700,000	1,030,000
Irrigation fund:		
CIB Irrigation	<u>344,000</u>	<u>352,000</u>
Total business-type	<u>5,183,912</u>	<u>2,547,940</u>
Total outstanding debt	<u>\$5,483,912</u>	<u>2,897,940</u>

The balance of the sewer revenue 2005A bond was funded during the year.

Additional information regarding the long-term liabilities may be found in the notes the financial statements.

ECONOMIC FACTORS AND NEXT YEAR'S BUDGETS AND RATES

No significant economic changes that would affect the City are expected for the next year. Budgets have been set on essentially the same factors as the current year being reported.

REQUESTS FOR INFORMATION

This financial report is designed to provide a general overview of the Moroni City's finances for all those with an interest in the City's finances. Questions concerning any information provided in this report or requests for additional financial information should be addressed to the Office of the City Recorder, 36 North Center Street, Moroni, Utah 84056.

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BASIC FINANCIAL STATEMENTS

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Moroni City
STATEMENT OF NET ASSETS
June 30, 2006

	Governmental Activities	Business-type Activities	Total
ASSETS:			
Current Assets:			
Cash and cash equivalents	\$ 69,558	136,518	206,076
Accounts receivable:			
Property taxes	101,079	-	101,079
Due from other governments	46,675	-	46,675
Customer accounts, net	5,163	31,952	37,114
Inventory	-	15,900	15,900
Other current assets	283	-	283
Total current assets	<u>222,758</u>	<u>184,370</u>	<u>407,127</u>
Non-current assets:			
Restricted cash and cash equivalents	308,572	1,230,007	1,538,580
Irrigation company water shares	-	18,000	18,000
Capital assets:			
Not being depreciated	2,051	3,612,530	3,614,581
Being depreciated, net of depreciation	1,126,114	4,452,498	5,578,612
Deferred bond issue costs, net	-	35,890	35,890
Total non-current assets	<u>1,436,738</u>	<u>9,348,924</u>	<u>10,785,662</u>
Total assets	<u>\$1,659,496</u>	<u>9,533,294</u>	<u>11,192,790</u>
LIABILITIES:			
Current Liabilities:			
Accounts payable	\$ 23,802	8,736	32,538
Accrued interest payable	-	9,460	9,460
Customer security deposits	-	610	610
Deferred revenues	91,049	-	91,049
Liabilities payable from restricted assets	2,050	330,180	332,230
Revenue bonds due within one year	50,000	58,912	108,912
Total current liabilities	<u>166,901</u>	<u>407,899</u>	<u>574,800</u>
Non-current liabilities:			
Revenue bonds due after one year	250,000	5,125,000	5,375,000
Total non-current liabilities	<u>250,000</u>	<u>5,125,000</u>	<u>5,375,000</u>
Total liabilities	<u>416,901</u>	<u>5,532,899</u>	<u>5,949,800</u>
NET ASSETS:			
Invested in capital assets, net of related debt	828,165	3,400,191	4,228,357
Restricted:			
Debt service requirements	80,555	242,229	322,784
Class C roads	6,544	-	6,544
Construction	-	174,411	174,411
Cemetery non-expendable	219,423	-	219,423
Unrestricted	107,907	183,563	291,470
Total net assets	<u>1,242,595</u>	<u>4,000,395</u>	<u>5,242,990</u>
Total liabilities and net assets	<u>\$1,659,496</u>	<u>9,533,294</u>	<u>11,192,790</u>

The notes to the financial statements are an integral part of this statement.

Moroni City
STATEMENT OF ACTIVITIES
For the Year Ended June 30, 2006

	<u>Expenses</u>	<u>Charges For Services</u>	<u>Operating Grants and Contributions</u>	<u>Capital Grants and Contributions</u>	Net (Expense) Revenue (To Next Page)
FUNCTIONS/PROGRAMS:					
Primary government:					
Governmental activities:					
General government:					
Administration	\$109,726	25,310	-	-	(84,416)
Justice court	26,399	21,025	-	-	(5,375)
Public safety:					
Police	70,403	17,178	1,397	-	(51,828)
Fire	37,628	21,329	-	-	(16,299)
Animal control	3,788	-	-	-	(3,788)
Highways and public improvements:					
Streets and highways	66,927	-	56,544	-	(10,382)
Waste disposal	17,605	18,697	-	-	1,092
Parks, recreation, public property:					
Parks and recreation	69,967	10,463	-	-	(59,504)
Cemetery	<u>35,062</u>	<u>3,050</u>	<u>-</u>	<u>-</u>	<u>(32,012)</u>
Total governmental activities	<u>437,505</u>	<u>117,052</u>	<u>57,941</u>	<u>-</u>	<u>(262,512)</u>
Business-type activities:					
Water	219,599	149,654	-	-	(69,945)
Sewer	299,822	117,678	-	367,644	185,500
Irrigation	<u>115,560</u>	<u>55,595</u>	<u>-</u>	<u>-</u>	<u>(59,965)</u>
Total business-type activities	<u>634,982</u>	<u>322,928</u>	<u>-</u>	<u>367,644</u>	<u>55,590</u>
Total primary government	<u>\$1,072,487</u>	<u>439,979</u>	<u>57,941</u>	<u>367,644</u>	<u>(206,923)</u>

(Continued on next page)

The notes to the financial statements are an integral part of this statement.

Moroni City
STATEMENT OF ACTIVITIES (continued)
For the Year Ended June 30, 2006

	Governmental <u>Activities</u>	Business-type <u>Activities</u>	<u>Total</u>
CHANGE IN NET ASSETS:			
Net (expense) revenue (from previous page)	\$ <u>(262,512)</u>	<u>55,590</u>	<u>(206,923)</u>
General revenues:			
Property taxes	126,762	-	126,762
Sales taxes	140,823	-	140,823
Other taxes	32,619	-	32,619
Unrestricted investment earnings	19,438	46,896	66,334
Miscellaneous	<u>1,677</u>	<u>2,800</u>	<u>4,477</u>
Total general revenues	<u>321,318</u>	<u>49,696</u>	<u>371,014</u>
Transfers	-	-	-
Total general revenues and transfers	<u>321,318</u>	<u>49,696</u>	<u>371,014</u>
Change in net assets	<u>58,806</u>	<u>105,285</u>	<u>164,092</u>
Net assets - beginning	<u>1,183,789</u>	<u>3,895,109</u>	<u>5,078,898</u>
Net assets - ending	<u>\$1,242,595</u>	<u>4,000,395</u>	<u>5,242,990</u>

The notes to the financial statements are an integral part of this statement.

Moroni City
BALANCE SHEET - GOVERNMENTAL FUNDS
June 30, 2006

	General Fund	Permanent Fund	Total Governmental Funds
ASSETS			
Cash and cash equivalents	\$ 69,558	-	69,558
Accounts receivable:			
Property taxes	101,079	-	101,079
Due from other governments	46,675	-	46,675
Customer accounts, net	5,163	-	5,163
Other assets	283	-	283
Restricted cash and cash equivalents	<u>89,149</u>	<u>219,423</u>	<u>308,572</u>
TOTAL ASSETS	<u>\$311,907</u>	<u>219,423</u>	<u>531,330</u>
LIABILITIES			
Accounts payable	\$ 23,802	-	23,802
Liabilities payable from restricted assets	2,050	-	2,050
Deferred revenues	<u>91,049</u>	<u>-</u>	<u>91,049</u>
TOTAL LIABILITIES	<u>116,901</u>	<u>-</u>	<u>116,901</u>
FUND BALANCES:			
Reserved for:			
Debt service requirements	80,555	-	80,555
Roads	6,544	-	6,544
Cemetery non-expendable	-	219,423	219,423
Unreserved, reported in:			
General fund	<u>107,907</u>	<u>-</u>	<u>107,907</u>
TOTAL FUND BALANCES	<u>195,006</u>	<u>219,423</u>	<u>414,429</u>
TOTAL LIABILITIES AND FUND BALANCES	<u>\$311,907</u>	<u>219,423</u>	<u>531,330</u>

The notes to the financial statements are an integral part of this statement.

Moroni City
**STATEMENT OF REVENUES, EXPENDITURES AND
 CHANGES IN FUND BALANCES - GOVERNMENTAL FUNDS**
 For the Year Ended June 30, 2006

	General Fund	Permanent Fund	Total Governmental Funds
REVENUES:			
Taxes:			
Property	\$126,762	-	126,762
Sales	140,823	-	140,823
Other taxes	32,619	-	32,619
Licenses and permits	6,043	-	6,043
Intergovernmental revenues	57,941	-	57,941
Charges for services	89,984	-	89,984
Fines and forfeitures	21,025	-	21,025
Interest	10,370	9,069	19,438
Miscellaneous revenue	<u>1,677</u>	<u>-</u>	<u>1,677</u>
Total revenues	<u>487,243</u>	<u>9,069</u>	<u>496,311</u>
EXPENDITURES:			
General government	134,269	-	134,269
Public safety	102,703	-	102,703
Highways and public improvements	62,232	-	62,232
Parks, recreation and public property	88,906	-	88,906
Capital Outlay	19,800	-	19,800
Debt service:			
Principal	<u>50,000</u>	<u>-</u>	<u>50,000</u>
Total expenditures	<u>457,910</u>	<u>-</u>	<u>457,910</u>
Excess (Deficiency) of Revenues over (Under) Expenditures	<u>29,333</u>	<u>9,069</u>	<u>38,402</u>
Other Financing Sources and (Uses):			
Transfers (out)	<u>-</u>	<u>-</u>	<u>-</u>
Total other financing sources and (uses)	<u>-</u>	<u>-</u>	<u>-</u>
Net Change in Fund Balances	29,333	9,069	38,402
Fund Balances - beginning of year	<u>165,673</u>	<u>210,355</u>	<u>376,028</u>
Fund Balances - end of year	<u>\$195,006</u>	<u>219,423</u>	<u>414,429</u>

The notes to the financial statements are an integral part of this statement.

Moroni City
**RECONCILIATION OF THE BALANCE SHEET OF GOVERNMENTAL FUNDS
TO THE STATEMENT OF NET ASSETS**
June 30, 2006

Total Fund Balances for Governmental Funds	<u>\$ 414,429</u>
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Total net assets reported for governmental activities in the statement
is different because:

Capital assets used in governmental funds are not financial resources and
therefore are not reported in the funds.

Capital assets, at cost	1,416,307
Less accumulated depreciation	<u>(288,142)</u>
Net capital assets	<u>1,128,165</u>

Long-term debt, for funds other than enterprise funds, are recorded in
the government-wide statements but not in the fund statements.

General long-term debt	<u>(300,000)</u>
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Total Net Assets of Governmental Activities	<u>\$1,242,595</u>
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The notes to the financial statements are an integral part of this statement.

Moroni City
**RECONCILIATION OF THE STATEMENT OF REVENUES, EXPENDITURES,
AND CHANGES IN FUND BALANCES OF GOVERNMENTAL FUNDS
TO TH STATEMENT OF ACTIVITIES**
June 30, 2006

Net Change in Fund Balances - Total Governmental Funds	<u>\$38,402</u>
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Amounts reported for governmental activities in the statement of activities are different because:

Governmental funds report capital outlays as expenditures. However, in the statement of activities, assets with a material cost are capitalized and the cost is allocated over their estimated useful lives and reported as depreciation expenses.

Capital outlays	19,800
Depreciation expense	<u>(49,395)</u>
Net	<u>(29,595)</u>

Repayment of debt principal is an expenditure in the governmental funds, but the repayment reduces long-term liabilities in the statement of net assets.

Long-term debt principal repayments	<u>50,000</u>
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Change in Net Assets of Governmental Activities	<u>\$58,806</u>
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The notes to the financial statements are an integral part of this statement.

Moroni City
STATEMENT OF NET ASSETS - PROPRIETARY FUND
June 30, 2006

	<u>Water Fund</u>	<u>Sewer Fund</u>	<u>Irrigation Fund</u>	<u>Total</u>
ASSETS:				
Current assets:				
Cash and cash equivalents	\$ 84,298	52,220	-	136,518
Accounts receivable, net	12,644	9,150	10,157	31,952
Due from other funds	114,987	-	-	114,987
Inventory	11,859	-	4,041	15,900
Total current assets	<u>223,789</u>	<u>61,370</u>	<u>14,198</u>	<u>299,357</u>
Non-current assets:				
Restricted cash and cash equivalents	130,869	957,493	141,645	1,230,007
Irrigation company water shares	-	-	18,000	18,000
Capital assets:				
Not being depreciated	-	3,592,445	20,085	3,612,530
Being depreciated, net of depreciation	1,843,488	915,423	1,693,588	4,452,498
Deferred bond issue costs, net	-	35,890	-	35,890
Total non-current assets	<u>1,974,357</u>	<u>5,501,250</u>	<u>1,873,317</u>	<u>9,348,924</u>
Total assets	<u>\$2,198,145</u>	<u>5,562,621</u>	<u>1,887,515</u>	<u>9,648,281</u>
LIABILITIES:				
Current liabilities:				
Accounts payable	\$ 3,301	3,683	1,753	8,736
Due to other funds	-	-	114,987	114,987
Accrued interest payable	3,758	-	5,702	9,460
Liabilities payable from restricted assets	-	330,180	-	330,180
Customer security deposits	610	-	-	610
Revenue bonds, current portion	25,912	25,000	8,000	58,912
Total current liabilities	<u>33,581</u>	<u>358,863</u>	<u>130,442</u>	<u>522,886</u>
Non-current liabilities:				
Revenue bonds, long-term	364,000	4,425,000	336,000	5,125,000
Total non-current liabilities	<u>364,000</u>	<u>4,425,000</u>	<u>336,000</u>	<u>5,125,000</u>
Total liabilities	<u>397,581</u>	<u>4,783,863</u>	<u>466,442</u>	<u>5,647,886</u>
NET ASSETS:				
Invested in capital assets, net of related debt	1,453,575	576,943	1,369,673	3,400,191
Restricted for:				
Debt service	130,869	92,393	18,967	242,229
Construction	-	51,733	122,678	174,411
Unrestricted	216,120	57,688	(90,245)	183,563
Total net assets	<u>1,800,564</u>	<u>778,758</u>	<u>1,421,073</u>	<u>4,000,395</u>
Total liabilities and net assets	<u>\$2,198,145</u>	<u>5,562,621</u>	<u>1,887,515</u>	<u>9,648,281</u>

The notes to the financial statements are an integral part of this statement.

Moroni City
STATEMENT OF REVENUES, EXPENSES AND CHANGES IN FUND NET ASSETS
PROPRIETARY FUND
June 30, 2006

	<u>Water Fund</u>	<u>Sewer Fund</u>	<u>Irrigation Fund</u>	<u>Total</u>
Operating income:				
Charges for services	\$ 149,654	117,678	55,595	322,928
Other operating income	<u>(700)</u>	<u>3,500</u>	<u>-</u>	<u>2,800</u>
Total operating income	<u>148,954</u>	<u>121,178</u>	<u>55,595</u>	<u>325,728</u>
Operating expenses:				
Personal services	39,829	8,758	11,651	60,238
Utilities	14,972	40,879	9,817	65,668
Repairs and maintenance	18,062	832	14,405	33,299
Other supplies and expenses	21,156	26,257	18,712	66,125
Depreciation expense	<u>117,762</u>	<u>25,095</u>	<u>52,340</u>	<u>195,197</u>
Total operating expense	<u>211,780</u>	<u>101,822</u>	<u>106,925</u>	<u>420,528</u>
Net operating income (loss)	<u>(62,826)</u>	<u>19,356</u>	<u>(51,330)</u>	<u>(94,800)</u>
Non-operating income (expense):				
Interest income	1,966	38,887	6,043	46,896
Interest on long-term debt	(7,819)	-	(8,635)	(16,454)
Return of prior year grant	<u>-</u>	<u>(198,000)</u>	<u>-</u>	<u>(198,000)</u>
Total non-operating income (expense)	<u>(5,853)</u>	<u>(159,113)</u>	<u>(2,592)</u>	<u>(167,558)</u>
Income (loss) before contributions and transfers	<u>(68,679)</u>	<u>(139,757)</u>	<u>(53,923)</u>	<u>(262,358)</u>
Capital contributions	<u>-</u>	<u>367,644</u>	<u>-</u>	<u>367,644</u>
Change in net assets	<u>(68,679)</u>	<u>227,887</u>	<u>(53,923)</u>	<u>105,285</u>
Net assets, beginning	<u>1,869,243</u>	<u>550,871</u>	<u>1,474,996</u>	<u>3,895,109</u>
Net assets, ending	<u>\$1,800,564</u>	<u>778,758</u>	<u>1,421,073</u>	<u>4,000,395</u>

The notes to the financial statements are an integral part of this statement.

Moroni City
STATEMENT OF CASH FLOWS
For the year ending June 30, 2006

	Water Fund	Sewer Fund	Irrigation Fund	Total
Cash flows from operating activities:				
Cash received from customers - service	\$146,769	119,052	59,986	325,806
Cash paid to suppliers	(54,728)	(69,362)	(49,720)	(173,810)
Cash paid to employees	(40,367)	(8,867)	(11,753)	(60,987)
Net cash provided (used) in operating activities	<u>51,673</u>	<u>40,823</u>	<u>(1,486)</u>	<u>91,010</u>
Cash flows from noncapital financing activities:				
Change in customer deposits	-	-	-	-
Net interfund activity	(18,144)	-	18,144	-
Net cash provided (used) in noncapital financing activities	<u>(18,144)</u>	<u>-</u>	<u>18,144</u>	<u>-</u>
Cash flows from capital and related financing activities:				
Cash received from bond issues	-	2,670,000	-	2,670,000
Cash received from capital grants	-	367,644	-	367,644
Cash payment for capital grants returned	-	(198,000)	-	(198,000)
Cash payments for capital assets	-	(3,592,487)	2,000	(3,590,487)
Cash payments for long-term debt	(26,027)	-	(8,000)	(34,027)
Cash payments for long-term debt interest	(8,122)	-	(8,800)	(16,922)
Net cash provided (used) in capital and related financing activities	<u>(34,149)</u>	<u>(752,843)</u>	<u>(14,800)</u>	<u>(801,793)</u>
Cash flows from investing activities:				
Cash received from interest earned	1,966	38,887	6,043	46,896
Net cash provided (used) in investing activities	<u>1,966</u>	<u>38,887</u>	<u>6,043</u>	<u>46,896</u>
Net increase (decrease) in cash	1,346	(475,134)	7,900	(465,887)
Cash balance, beginning	213,820	1,682,847	133,745	2,030,412
Cash balance, ending	<u>\$215,167</u>	<u>1,009,713</u>	<u>141,645</u>	<u>1,366,525</u>
Cash reported on the balance sheet:				
Cash and cash equivalents	\$ 84,298	52,220	-	136,518
Non-current restricted cash	130,869	957,493	141,645	1,230,007
Total cash and cash equivalents	<u>\$215,167</u>	<u>1,009,713</u>	<u>141,645</u>	<u>1,366,525</u>

Continued on next page

The notes to the financial statements are an integral part of this statement.

Moroni City
STATEMENT OF CASH FLOWS, continued
For the year ended June 30, 2006

**Reconciliation of Operating Income
to Net Cash Provided from Operating Activity:**

	<u>Water Fund</u>	<u>Sewer Fund</u>	<u>Irrigation Fund</u>	<u>Total</u>
Net operating income (expense)	\$(62,826)	19,356	(51,330)	(94,800)
Adjustments to reconcile operating income or (loss) to net cash provided (used) in operating activities:				
Depreciation and amortization	117,762	25,095	52,340	195,197
Changes in assets and liabilities:				
(Increase) decrease in receivables	(2,186)	(2,126)	4,391	78
Increase (decrease) in payables	(1,077)	(1,502)	(6,887)	(9,466)
Net cash provided in operating activity	\$ <u>51,673</u>	<u>40,823</u>	<u>(1,486)</u>	<u>91,010</u>

The notes to the financial statements are an integral part of this statement.

Moroni City
NOTES TO FINANCIAL STATEMENTS
June 30, 2006

NOTE 1 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

1-A. Reporting entity

Moroni City (the City), a municipal corporation located in Sanpete County, Utah, operates under a Mayor-Council form of government. The accompanying financial statements present the City and its component units, entities for which the City is considered to be financially accountable.

The City has no component units and is not a component unit of another entity.

1-B. Government-wide and fund financial statements

Government-wide Financial Statements

The government-wide financial statements, consisting of the statement of net assets and the statement of change in net assets report information on all of the non-fiduciary activities of the primary government and its component units. For the most part, the effect of the inter-fund activity has been removed from these statements. *Governmental activities*, which normally are supported by taxes and intergovernmental revenues, are reported separately from *business-type activities*, which rely to a significant extent on fees and charges for support.

The statement of activities reports the expenses of a given function offset by program revenues directly connected with the functional program. A function is an assembly of similar activities and may include portions of a fund or summarize more than one fund to capture the expenses and program revenues associated with a distinct functional activity. *Direct expenses* are those that are clearly identifiable with a specific function or segment. Indirect expenses are not allocated. All expenses are included in the applicable function. *Program revenues* include (1) charges to customers or applicants who purchase, use, or directly benefit from goods, services, or privilege provided by a given function or segment and (2) grants and contributions that are restricted to meeting the operational or capital requirements of a particular function or segment. Taxes and other items not properly included among program revenues are reported instead as *general revenues*.

Fund Financial Statements

Separate financial statements are provided for governmental funds, proprietary funds, and fiduciary funds, if any, even though the latter are excluded from the government-wide financial statements. Major individual governmental funds and major individual enterprise funds are reported as separate columns in the fund financial statement.

Moroni City
NOTES TO FINANCIAL STATEMENTS
June 30, 2006

1-C. Measurement focus, basis of accounting and financial statement presentation

The financial statements of the City are prepared in accordance with generally accepted accounting principles (GAAP). The City's reporting entity applies all relevant Governmental Accounting Standards Board (GASB) pronouncements and applicable Financial Accounting Standards Board (FASB) pronouncements and Accounting Principles Board (APB) opinions issued on or before November 30, 1989, unless they conflict with GASB pronouncements. The City's reporting entity does not apply FASB pronouncements or APB opinions issued after November 30, 1989.

The government-wide statements are reported using the economic resources measurement focus and the accrual basis of accounting, generally including the reclassification of internal activity (between or within funds). However, internal eliminations do not include utility services provided to City departments or payments to the general fund by other funds for providing administrative and billing services for such funds. Reimbursements are reported as reductions to expenses. Proprietary and any fiduciary fund financial statements are also reported using this same focus and basis of accounting although internal activity is not eliminated in these statements. Revenues are recorded when earned and expenses are recorded when a liability is incurred, regardless of the timing of related cash flows. Property tax revenues are recognized in the year for which they are levied while grants are recognized when the grantor eligibility requirements are met.

Governmental fund financial statements are reported using the current financial resources measurement focus and the modified accrual basis of accounting. Revenues are recognized as soon as they are both measurable and available. Revenues are considered to be available when they are collectible within the current period or soon enough thereafter to pay liabilities of the current period. The City considers revenues to be available if they are collected within 60 days of the end of the current fiscal period. Expenditures generally are recorded when a liability is incurred, as under accrual accounting. However, debt service expenditures, as well as expenditures related to compensated absences and claims and judgments, are recorded only when payment is due.

Property taxes, sales taxes, intergovernmental revenues, and interest associated with the current fiscal period are all considered to be susceptible to accrual and so have been recognized as revenues of the current fiscal period. Only the portion of special assessments, if any, receivable within the current fiscal period is considered to be susceptible to accrual as revenue of the current period. All other revenue items are considered to be measurable and available only when cash is received by the government.

Proprietary funds distinguish *operating* revenues and expenses from *non-operating* items. Operating income and expense reported in proprietary fund financial statements include those revenues and expenses related to the primary, continuing operations of the fund. Principal operating revenues for proprietary funds are charges to customers for sales or services. Principal operating expenses are the costs of providing goods or services, including administrative expenses and depreciation of capital assets. Other revenues and expenses are classified as non-operating in the financial statements.

Moroni City
NOTES TO FINANCIAL STATEMENTS
June 30, 2006

**1-C. Measurement focus, basis of accounting, and financial statement presentation
(continued)**

Policy regarding use of restricted resources

When both restricted and unrestricted resources are available for use, it is the City's policy to use restricted resources first, then unrestricted resources as needed. Restricted assets and liabilities payable from restricted assets current in nature are reported with current assets and current liabilities. *Restricted assets, non-current* reports assets restricted for acquisition or construction of non-current assets, or are restricted for liquidation of long-term debt.

1-D. Fund types and major funds

Governmental funds

The City reports the following major governmental funds:

The *general fund* is the government's primary operating fund. It accounts for all financial resources of the general government, except those required to be accounted for in another fund.

The *permanent fund* accounts for the cash inflows and outflows of the cemetery perpetual fund.

Proprietary funds

The City reports the following major proprietary funds:

The *water fund* is used to account for the activities of the culinary water distribution.

The *sewer fund* is used to account for the operations of the sewer system.

The *irrigation fund* is used to account for the operations of the secondary water system.

1-E. Assets, Liabilities, and Net Assets or Equity

1-E-1. Deposit and Investments

Investments are reported at fair value. Deposits are reported at cost, which approximates fair value. Investments of the City are accounts at the Utah Public Treasurers Investments Fund. Additional information is contained in Note 3.

Moroni City
NOTES TO FINANCIAL STATEMENTS
June 30, 2006

1-E. Assets, Liabilities, and Net Assets or Equity (continued)

1-E-2. Cash and Cash Equivalents

The City's cash and cash equivalents are considered to be cash on hand, demand deposits, and short-term investments with original maturities of three months or less from the date of acquisition.

1-E-3. Receivables and Payables

Accounts receivable other than property taxes and intergovernmental receivables are from customers primarily for utility services. Property tax and intergovernmental receivables are considered collectible. Customer accounts are reported net of an allowance for uncollectible accounts. The allowance amount is estimated using accounts receivable past due more than 90 days.

During the course of operations, there may be transactions occur between funds that are representative of lending/borrowing arrangements outstanding at year-end. These are reported as either *due to or due from other funds*.

Property taxes are assessed and collected for the City by Sanpete County and remitted to the City shortly after collection. Property taxes become a lien on January 1 and are levied on the first Monday in August. Taxes are due and payable on November 1, and are delinquent after November 30. All dates are in the year of levy.

1-E-4. Restricted Assets

In accordance with certain revenue bond covenants, resources may be required to be set aside for the repayment of such bonds, and, on occasion, for the repair and maintenance of the assets acquired with the bond proceeds. These resources are classified as restricted assets on the balance sheet because of their limited use. Most capital grant agreements mandate that grant proceeds be spent only on capital assets. Unspent resources of this nature are also classified as restricted. The limited use resources described above involve a reported restriction of both cash and net assets.

Unspent proceeds of bonds issued to finance capital assets are also reported as restricted cash

1-E-5. Inventories and Prepaid items

Inventories in governmental funds are not reported. These consist of immaterial amounts of expendable supplies for consumption. Such supplies are acquired as needed. Proprietary fund inventories, where material, are stated at the lower of cost or market, using the first-in, first-out basis.

Prepaid items record payments to vendors that benefit future reporting and are reported on the consumption basis. Both inventories and prepayments are similarly reported in government-wide and fund financial statements.

Moroni City
NOTES TO FINANCIAL STATEMENTS
June 30, 2006

1-E. Assets, Liabilities, and Net Assets or Equity (continued)

1-E-6. Capital Assets

Capital assets includes property, plant, equipment, and infrastructure assets (e.g., roads, bridges, sidewalks, and similar items), and are reported in the applicable governmental or business-type activities columns in the government-wide financial statements. Capital assets are defined by the government as assets with an initial, individual significant cost of \$2,000 or more and an estimated useful life in excess of two years. Such assets are recorded at historical cost or at estimated historical cost if purchased or constructed. Donated capital assets are recorded at estimated fair market value at the date of donation. Infrastructure is depreciated.

The cost of normal maintenance and repairs that does not add to the value of an asset or materially extend the assets' life is not capitalized. Major outlays for capital assets and improvements are capitalized as projects are constructed. Interest incurred during the construction phase of capital assets of business-type activities is included as part of the capitalized value of the assets constructed.

Upon retirement or disposition of capital assets, the cost and related accumulated depreciation are removed from the respective accounts. Depreciation of capital assets is computed using the straight-line method over their estimated useful lives.

Property, plant, and equipment of the primary government, as well as the component units if any, is depreciated using the straight line method over the following estimated useful lives:

Assets	Years
Buildings	35
Improvements	35
Water system	35
Sewer system	35
Infrastructure	25
Vehicles and equipment	5-20

1-E-7. Long-term Obligations

In the government-wide and proprietary fund financial statements, long-term debt and obligations are reported as liabilities in the applicable governmental activities, business-type activities, or proprietary fund statement of net assets. Bond issuance costs, bond discounts or premiums, and the difference between the reacquisition price and the net carrying value of refunded debt are deferred and amortized over the terms of the respective bonds using the effective interest method. Bonds payable are reported net of the applicable bond premium or discount. Significant or material bond issuance costs are reported as deferred charges.

The governmental fund financial statements recognize the proceeds of debt and premiums as other financing sources of the current period. Issuance costs are reported as expenditures.

Moroni City
NOTES TO FINANCIAL STATEMENTS
June 30, 2006

1-E. Assets, Liabilities, and Net Assets or Equity (continued)

1-E-8. Fund Equity

The governmental fund financial statements report reserved fund balance for amounts not available for appropriation of legally restricted for specified purposes. The General Fund reserve for restricted purposes includes fund balance/net assets resulting from Class C road allotments restricted for eligible road maintenance, for debt service requirements and for construction. Designations of fund balance represent tentative management plans that are subject to change.

NOTE 2 - STEWARDSHIP, COMPLIANCE AND ACCOUNTABILITY

2-A. Budgetary data

Annual budgets are prepared and adopted by ordinance by total for each department, in accordance with State law, by the Mayor and City Council on or before June 22 for the following fiscal year beginning July 1. Estimated revenues and appropriations may be increased or decreased by resolution of the City Council at any time during the year. A public hearing must be held prior to any proposed increase in a fund's appropriations. Budgets include activities in the General Fund. The level of the City's budgetary control (the level at which the City's expenditures cannot legally exceed appropriations) is established at the department level. Each department head is responsible for operating within the budget for their department. All annual budgets lapse at fiscal year end.

Utah State law prohibits the appropriation of unreserved General Fund balance to an amount less than 5% of the General Fund revenues. The 5% reserve that cannot be budgeted is used to provide working capital until tax revenue is received, to meet emergency expenditures, and to cover unanticipated deficits. Any unreserved General Fund balance greater than 18% of the next year's budgeted revenues must be appropriated within the following two years.

Once adopted, the budget may be amended by the City Council without hearing provided the budgeted expenditures do not exceed budgeted revenues and appropriated fund balance. A public hearing must be held if the budgeted expenditures will exceed budgeted revenues and any fund balance which is available for budgeting. With the consent of the Mayor, department heads may reallocate unexpended appropriated balances from one expenditure account to another within that department during the budget year. Budgets for the General Fund are prepared on the modified accrual basis of accounting. Encumbrances are not used.

2-B. Deficit fund net assets

None of the City's funds have deficit balances.

Moroni City
NOTES TO FINANCIAL STATEMENTS
June 30, 2006

NOTE 3 - DETAILED NOTES

3-A. Deposits and investments

Cash and investments as of June 30, 2006 consist of the following:

	<u>Fair Value</u>
Cash on hand	\$ 3,821
Demand deposits - checking	107,154
Investments - PTIF	1,633,682
Total cash and investments	<u>\$1,744,656</u>

Cash and investments listed above are classified in the accompanying government-wide statement of net assets as follows:

Cash and cash equivalents (current)	\$ 206,076
Restricted cash and cash equivalents (non-current)	1,538,580
Total cash and cash equivalents	<u>\$1,744,656</u>

Cash equivalents and investments are carried at fair value in accordance with GASB Statement No. 31.

The Utah Money Management Act (UMMA) establishes specific requirements regarding deposits of public funds by public treasurers. UMMA requires that city funds be deposited with a qualified depository which includes any depository institution which has been certified by the Utah State Commissioner of Financial Institutions as having met the requirements specified in UMMA Section 51, Chapter 7. UMMA provides the formula for determining the amount of public funds which a qualified depository may hold in order to minimize risk of loss and also defines capital requirements which an Institution must maintain to be eligible to accept public funds. UMMA lists the criteria for investments and specifies the assets which are eligible to be invested in, and for some investments, the amount of time to maturity.

UMMA enables the State Treasurer to operate the Public Treasurer's Investment Pool (PTIF). PTIF is managed by the Utah State Treasurer's investment staff and comes under the regulatory authority of the Utah Money Management Council. This council is comprised of a select group of financial professionals from units of local and state government and financial institutions doing business in the state. PTIF operations and portfolio composition is monitored at least semi-annually by the Utah Money Management Council. PTIF is unrated by any nationally recognized statistical rating organizations. Deposits in PTIF are not insured or otherwise guaranteed by the State of Utah. Participants share proportionally in any realized gains or losses on investments which are recorded on an amortized cost basis. The balance available for withdrawal is based on the accounting records maintained by PTIF. The fair value of the investment pool is approximately equal to the value of the pool shares. The City maintains monies not immediately needed for expenditure in PTIF accounts.

Moroni City
NOTES TO FINANCIAL STATEMENTS
June 30, 2006

3-A. Deposits and investments (continued)

Deposit and Investment Risk

The City maintains no investment policy containing any specific provisions intended to limit the City's exposure to interest rate risk, credit risk, and concentration of credit risk other than that imposed by UMMA. The City's compliance with the provisions of UMMA addresses each of these risks.

Interest rate risk

Interest rate risk is the risk that changes in market interest rates will adversely affect the fair value of an investment. All deposits and investments of the City are available immediately.

Credit risk

Generally, credit risk is the risk that an issuer of an investment will not fulfill its obligations. Custodial credit risk for *deposits* is the risk that, in the event of the failure of a depository financial institution, a government will not be able to recover its deposits. Of the City's demand and savings deposits, none are collateralized and \$7,154 is not covered by NCUSIF insurance.

Custodial credit risk for *investments* is the risk that, in the event of the failure of the counterparty (e.g., broker-dealer) to a transaction, a government will not be able to recover the value of its investment or collateral securities that are in the possession of another party. This risk is addressed through the City's policy of investing excess monies only in PTIF.

Concentration of credit risk

Concentration of credit risk is the risk of loss attributed to the magnitude of a government's investment in a single issuer. PTIF falls under the constraints of UMMA in limiting concentrations of investments.

3-B. Receivables

The allowance policy is described in Note 1-E-3. Receivables as of year end for the City's funds are shown below:

	General Fund	Water	Sewer	Irrigation	Total
Property taxes-current	\$ 10,030	-	-	-	10,030
Property taxes-deferred	91,049	-	-	-	91,049
Intergovernmental	46,675	-	-	-	46,675
Customers, current	8,422	20,627	15,089	14,470	58,608
Total receivables	156,175	20,627	15,089	14,470	206,362
Allowance for uncollectibles	(3,259)	(7,983)	(5,939)	(4,313)	(21,494)
Net receivables	\$152,916	12,644	9,150	10,157	184,868

Moroni City
NOTES TO FINANCIAL STATEMENTS
June 30, 2006

3-C. Capital Assets

Capital asset activity for the governmental activities was as follows:

	Beginning <u>Balance</u>	<u>Additions</u>	<u>Retirements</u>	Ending <u>Balance</u>
Governmental activities:				
Capital assets, not being depreciated:				
Land and rights	\$ 2,051	-	-	2,051
Total capital assets, not being depreciated	<u>2,051</u>	<u>-</u>	<u>-</u>	<u>2,051</u>
Capital assets, being depreciated:				
Buildings	420,545	-	-	420,545
Improvements other than buildings	133,054	-	-	133,054
Machinery and equipment	292,666	19,800	-	312,466
Infrastructure	548,191	-	-	548,191
Total capital assets, being depreciated	<u>1,394,456</u>	<u>19,800</u>	<u>-</u>	<u>1,414,256</u>
Less accumulated depreciation for:				
Buildings	62,805	12,015	-	74,820
Improvements other than buildings	25,079	3,802	-	28,881
Machinery and equipment	74,115	11,651	-	85,765
Infrastructure	76,747	21,928	-	98,675
Total accumulated depreciation	<u>238,746</u>	<u>49,395</u>	<u>-</u>	<u>288,142</u>
Total capital assets being depreciated, net	<u>1,155,710</u>	<u>(29,595)</u>	<u>-</u>	<u>1,126,114</u>
Governmental activities capital assets, net	<u>\$1,157,761</u>	<u>(29,595)</u>	<u>-</u>	<u>1,128,165</u>

Depreciation expense was charged to functions/programs of the primary government governmental activities as follows:

Governmental Activities:	
Administration	\$ 1,856
Police	3,679
Fire	5,438
Highways and streets	22,300
Parks, recreation and public property	15,519
Cemetery	604
Total	<u>\$49,395</u>

Moroni City
NOTES TO FINANCIAL STATEMENTS
June 30, 2006

3-C. Capital assets (continued)

Capital asset activity for business-type activities was as follows:

	<u>Beginning Balance</u>	<u>Additions</u>	<u>Retirements</u>	<u>Ending Balance</u>
Business-type activities:				
Capital assets, not being depreciated:				
Land and water shares	\$ 24,155	-	-	24,155
Construction in progress	<u>394,708</u>	<u>3,193,666</u>	<u>-</u>	<u>3,588,375</u>
Total capital assets, not being depreciated	<u>418,863</u>	<u>3,193,666</u>	<u>-</u>	<u>3,612,530</u>
Capital assets, being depreciated:				
Water system	3,857,030	-	-	3,857,030
Sewer system	639,122	650,312	37,966	1,251,467
Irrigation	<u>1,786,727</u>	<u>-</u>	<u>-</u>	<u>1,786,727</u>
Total capital assets being depreciated	<u>6,282,880</u>	<u>650,312</u>	<u>37,966</u>	<u>6,895,225</u>
Less accumulated depreciation for:				
Water system	1,895,781	117,762	-	2,013,543
Sewer system	348,916	25,095	37,966	336,045
Irrigation	<u>40,800</u>	<u>52,340</u>	<u>-</u>	<u>93,140</u>
Total accumulated depreciation	<u>2,285,497</u>	<u>195,197</u>	<u>37,966</u>	<u>2,442,728</u>
Total capital assets being depreciated, net	<u>3,997,383</u>	<u>455,114</u>	<u>-</u>	<u>4,452,498</u>
Business-type activities capital assets, net	<u>\$4,416,246</u>	<u>3,648,781</u>	<u>-</u>	<u>8,065,027</u>

Depreciation expense was charged to functions/programs of the primary government business-type activities as follows:

Business-Type Activities:	
Water	\$117,762
Sewer	25,095
Irrigation	<u>52,340</u>
Total	<u>\$195,197</u>

Moroni City
NOTES TO FINANCIAL STATEMENTS
June 30, 2006

3-D. Long-term debt

Long-term debt activity for the year was as follows:

	<u>Original Principal</u>	<u>% Rate</u>	<u>6/30/2005</u>	<u>Additions</u>	<u>Reductions</u>	<u>6/30/2006</u>	<u>Due Within One Year</u>
<u>Governmental activities:</u>							
PCIB Street Bond 2002 Matures 9/1/2011	\$500,000	-	<u>\$350,000</u>	<u>-</u>	<u>50,000</u>	<u>300,000</u>	<u>50,000</u>
Total governmental activity long-term liabilities			<u>\$350,000</u>	<u>-</u>	<u>50,000</u>	<u>300,000</u>	<u>50,000</u>

Bond debt service requirements to maturity for governmental activities are as follows:

	<u>Principal</u>	<u>Interest</u>	<u>Total</u>
2007	\$ 50,000	0	50,000
2008	50,000	0	50,000
2009	50,000	0	50,000
2010	50,000	0	50,000
2011	50,000	0	50,000
2012-2016	50,000	0	50,000
Total	<u>\$300,000</u>	<u>0</u>	<u>300,000</u>

Moroni City
NOTES TO FINANCIAL STATEMENTS
June 30, 2006

3-D. Long-term debt (continued)

	Original Principal	% Rate	6/30/2005	Additions	Reductions	6/30/2006	Due Within One Year
<u>Business-type activities:</u>							
Water Revenue 1968A Matures 12/31/2006	\$ 45,000	4.13	\$ 3,940	-	2,027	1,912	1,912
Water Revenue 1999 Matures 12/31/2019	525,000	1.92	412,000	-	24,000	388,000	24,000
Sewer Revenue 2005 Matures 9/30/2026	750,000	-	750,000	-	-	750,000	25,000
Sewer Revenue 2005A Matures 3/31/2036	3,700,000	0.50	1,030,000	2,670,000	-	3,700,000	-
Irrigation Bond 2002 Matures 10/31/2033	360,000	2.50	<u>352,000</u>	<u>-</u>	<u>8,000</u>	<u>344,000</u>	<u>8,000</u>
Total business-type activity long-term liabilities			<u>\$2,547,940</u>	<u>2,670,000</u>	<u>34,027</u>	<u>5,183,912</u>	<u>58,912</u>

All bonds are revenue bonds secured by revenues of their respective systems.

Revenue bond debt service requirements to maturity for business-type activities are as follows:

	<u>Principal</u>	<u>Interest</u>	<u>Total</u>
2007	\$ 58,912	16,178	75,090
2008	235,000	33,889	268,889
2009	236,000	32,304	268,304
2010	238,000	30,714	268,714
2011	240,000	29,100	269,100
2012-2016	1,228,000	120,391	1,348,391
2017-2021	1,234,000	76,619	1,310,619
2022-2026	1,146,000	39,700	1,185,700
2027-2031	394,000	12,775	406,775
2032-2036	<u>174,000</u>	<u>2,475</u>	<u>176,475</u>
Total	<u>\$5,183,912</u>	<u>394,144</u>	<u>5,578,056</u>

Moroni City
NOTES TO FINANCIAL STATEMENTS
June 30, 2006

NOTE 4 - OTHER INFORMATION

4-A. Risk management

The City is exposed to various risks of loss related to torts; theft of, damage to, and destruction of assets; errors and omissions; and natural disasters. The City participates in the Utah Local Government Trust, a public agency insurance mutual, which provides coverage for property damage and general liability. The City is subject to a minimal deductible for claims. There have been no significant reductions in insurance coverage from coverage in the prior year. Amounts of settlements have not exceeded insurance coverage in any of the past three fiscal years.

4-B. Employee pension and other benefit plans

Plan Description:

The City contributes to the Local Governmental Noncontributory Retirement System (Noncontributory System) and Public Safety Retirement System (Public Safety System), which are cost-sharing multiple-employer defined benefit pension plans administered by the Utah Retirement Systems (Systems). The Systems provide retirement benefits, annual cost of living adjustments, death benefits and refunds to plan members and beneficiaries in accordance with retirement statutes established and amended by the State Legislature.

The Systems are established and governed by the respective sections of Chapter 49 of the Utah Code Annotated 1953 (Chapter 49) as amended, which also establishes the Utah State Retirement Office (Office) for the administration of the Utah Retirement Systems and Plans. Chapter 49 places the Systems, the Office and related plans and programs under the direction of the Utah State Retirement Board (Board) whose members are appointed by the Governor. The Systems issue a publicly available financial report that includes financial statements and required supplementary information for the Systems and Plans. A copy of the report may be obtained by writing to the Utah Retirement Systems, 540 East 200 South, Salt Lake City, UT 84102 or by calling 1-800-365-8772.

Funding Policy:

In the Local Governmental Noncontributory System, the City is required to contribute 11.09% of employees' annual covered salary. In the Public Safety Noncontributory Retirement System, the City is required to contribute 19.34% of employees' annual covered salary. The contribution rates are actuarially determined rates and are approved by the Board as authorized by Chapter 49.

The City's contributions to the Local Governmental noncontributory Retirement Systems for the years ending June 30, 2006, 2005 and 2004 were \$6,166, \$6,776, and \$5,849, respectively. Contributions to the Public Safety Noncontributory Systems for the years ending June 30, 2006 and 2005 were \$7,555 and \$12,995, respectively. This was the first year the City had covered employees in the Public Safety Noncontributory Retirement System. The contributions were equal to the required contributions for each year.

Moroni City
NOTES TO FINANCIAL STATEMENTS
June 30, 2006

NOTE 4 - OTHER INFORMATION (continued)

4-C. Economic dependency

The City, at June 30, 2006, has issued \$4,450,000 of Sewer Revenue Bond Series 2005 in order to construct additional sewer treatment and collection facilities. An agreement has been reached with Moroni Feed Company (MFC), the major user of those facilities, whereby MFC will participate in the repayment of 89.75% of the bonds and in certain maintenance and replacement deposit accumulations. Thus, the City has significant economic dependency on MFC in the undertaking.

4-D. Commitments

The City has entered into agreements to construct additional sewer treatment and collection facilities. The agreements total \$4,707,839 of which \$4,238,886 has been completed.

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REQUIRED SUPPLEMENTAL INFORMATION
(Unaudited)

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Moroni City
Notes to Required Supplementary Information
June 30, 2006

Budgetary Comparison Schedules

The Budgetary Comparison Schedules presented in this section of the report are for the City's General Fund.

Budgeting and Budgetary Control

Budgets for the General Fund are legally required and are prepared and adopted on the modified accrual basis of accounting.

Original budgets represent the revenue estimates and spending authority authorized by the City Council prior to the beginning of the year. Final budgets represent the original budget amounts plus any amendments made to the budget during the year by the Council through formal resolution. Final budgets do not include unexpended balances from the prior year because such balances automatically lapse to unreserved fund balance at the end of each year.

Current Year Excess of Expenditures over Appropriations

For the year ended June 30, 2006, spending in the governmental department exceeded appropriations by \$3,519. Spending in the public safety department exceed appropriations by \$1,353. Spending in all other departments was within the appropriated budgets.

Moroni City
**STATEMENT OF REVENUES, EXPENDITURES AND
 CHANGES IN FUND BALANCES -BUDGET AND ACTUAL-GENERAL FUND**
 For the Year Ended June 30, 2006

	Budgeted <u>Original</u>	Budgeted <u>Final</u>	<u>Actual</u>	Variance with Final Budget <u>Under (Over)</u>
Revenues				
Taxes	\$272,400	272,400	300,203	(27,803)
Licenses and permits	4,100	4,100	6,043	(1,943)
Intergovernmental revenues	61,500	61,500	57,941	3,559
Charges for services	85,150	85,150	89,984	(4,834)
Fines and forfeitures	15,000	15,000	21,025	(6,025)
Interest	3,000	3,000	10,370	(7,370)
Miscellaneous revenue	<u>25,350</u>	<u>25,350</u>	<u>1,677</u>	<u>23,673</u>
Total revenues	<u>466,500</u>	<u>466,500</u>	<u>487,243</u>	<u>(20,743)</u>
Expenditures				
General government	130,750	130,750	134,269	(3,519)
Public safety	101,350	101,350	102,703	(1,353)
Highways and public improvements	71,890	71,890	62,232	9,657
Parks, recreation and public property	102,960	102,960	88,906	14,054
Capital outlay	26,400	26,400	19,800	6,600
Debt service:				
Principal	<u>50,000</u>	<u>50,000</u>	<u>50,000</u>	<u>-</u>
Total expenditures	<u>483,350</u>	<u>483,350</u>	<u>457,910</u>	<u>25,440</u>
Excess (Deficiency) of Revenues over (Under) Expenditures	<u>(16,850)</u>	<u>(16,850)</u>	<u>29,333</u>	<u>(46,183)</u>
Other Financing Sources and (Uses)				
Transfers in	16,850	16,850	-	16,850
Transfers (out)	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>
Total other financing sources and (uses)	<u>\$16,850</u>	<u>16,850</u>	<u>-</u>	<u>16,850</u>
Net Change in Fund Balances	<u>-</u>	<u>-</u>	<u>29,333</u>	<u>(29,333)</u>
Fund Balances - beginning of year			<u>165,673</u>	
Fund Balances - end of year			<u>\$195,006</u>	

SUPPLEMENTAL INFORMATION

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Moroni City
Sewer Related Data and Insurance Coverage
June 30, 2006

This information is required by one of the City's bondholders to be included in this financial report. It is not otherwise required for inclusion in the annual financial report.

Sewer customers, connections, and rates:

At June 30, 2006 the City had 442 residential customers and connections billed at a rate of \$20 per month, and 6 commercial customers and connections billed at a rate of \$51.40 per month. The aggregate amount billed during the year ended June 30, 2006 for residential and commercial connections was \$100,279 and \$3,713, respectively.

Insurance Coverage:

Comprehensive General Liability – 7/1/06-7/1/07

General Liability	\$2,000,000
Auto Bodily Injury	2,000,000
Auto Property Damage	2,000,000
Underinsured motorist	50,000
Uninsured motorist	65,000
Pollution Exclusion	50,000
No Fault Sewer Cleanups	2,500

Property Damage - 7/1/06-7/1/07

Auto Physical Damage	Varies
Buildings	3,143,033
Contents	988,308
Contractor Equipment	32,000
Telemetry	85,000

Workers Compensation Insurance - 1/1/06-1/1/07

Position Schedule 2 Bond Covering

Treasurer and Recorder – 7/1/06-7/1/07	45,000
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Moroni City's elected and appointed officials:

Ronald Pipher	Mayor
Greg Morley	Councilman
David Crosland	Councilman
Orson Cook	Councilman
Todd Pay	Councilman
Paul Bailey	Councilman
Becky Kendall	Recorder
Carol Haskins	Treasurer

MORONI CITY
SUPPLEMENTARY REPORTS
FOR THE FISCAL YEAR ENDED JUNE 30, 2006



Jensen & Keddington, P.C.
Certified Public Accountants

Moroni City
TABLE OF CONTENTS
June 30, 2006

	<u>Page</u>
Report on Internal Control Over Financial Reporting And on Compliance and Other Matters Based on an Audit of Financial Statements Performed in Accordance With <i>Government Auditing Standards</i>	1
Report on Compliance with Requirements Applicable To the Major Program and on Internal Control over Compliance in Accordance with OMB Circular A-133.....	2
Schedule of Expenditures of Federal Awards.....	4
Notes to Schedule of Expenditures of Federal Awards.....	5
Auditor's Report on State of Utah Legal Compliance.....	6
Schedule of Findings and Questioned Costs.....	8
Moroni City's Response to Findings and Recommendations.....	10
Schedule of Prior Audit Findings.....	11

**REPORT ON INTERNAL CONTROL OVER
FINANCIAL REPORTING AND ON COMPLIANCE
AND OTHER MATTERS BASED ON AN AUDIT OF
FINANCIAL STATEMENTS PERFORMED
IN ACCORDANCE WITH
GOVERNMENT AUDITING STANDARDS**



Jensen & Keddington, P.C.

Certified Public Accountants

Jeffrey B. Jensen, CPA
Gary K. Keddington, CPA
Brent E. Christensen, CPA
Jeffrey B. Hill, CPA

Honorable Mayor and
Members of City Council
Moroni City Corporation
Moroni, Utah

We have audited the accompanying financial statements of the governmental activities, the business-type activities, and each major fund of Moroni City as of and for the year ended June 30, 2006, which collectively comprise Moroni City's basic financial statements and have issued our report thereon dated October 27, 2006. We conducted our audit in accordance with auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States.

Internal Control Over Financial Reporting

In planning and performing our audit, we considered Moroni City's internal control over financial reporting in order to determine our auditing procedures for the purpose of expressing our opinion on the financial statements and not to provide an opinion on the internal control over financial reporting. Our consideration of the internal control over financial reporting would not necessarily disclose all matters in the internal control that might be material weaknesses. A material weakness is a reportable condition in which the design or operation of one or more of the internal control components does not reduce to a relatively low level the risk that misstatements caused by error for fraud in amounts that would be material in relation to the financial statements being audited may occur and not be detected within a timely period by employees in the normal course of performing their assigned functions. We noted no matters involving the internal control over financial reporting and its operation that we consider to be material weaknesses.

Compliance and Other Matters

As part of obtaining reasonable assurance about whether Moroni City's financial statements are free of material misstatement, we performed tests of its compliance with certain provisions of laws, regulations, contracts and grant agreements, noncompliance with which could have a direct and material effect on the determination of financial statements amounts. However, providing an opinion on compliance with those provisions was not an objective of our audit and, accordingly, we do not express such an opinion. The results of our tests disclosed no instances of noncompliance or other matters that are required to be reported under *Government Auditing Standards*. We also noted certain additional matters that we have reported to management in the *Schedule of Finding and Questioned Costs* section of this report.

This report is intended solely for the information and use of the Mayor, City Council and management of Moroni City, The Utah State Auditors Office, and federal awarding agencies and pass-through entities and is not intended to be and should not be used by anyone other than these specified parties.

Jensen & Keddington

October 27, 2006



**REPORT ON COMPLIANCE WITH REQUIREMENTS
APPLICABLE TO THE MAJOR PROGRAM AND ON
INTERNAL CONTROL OVER COMPLIANCE IN
ACCORDANCE WITH OMB CIRCULAR A-133**

Jensen & Keddington, P.C.

Certified Public Accountants

Jeffrey B. Jensen, CPA
Gary K. Keddington, CPA
Brent E. Christensen, CPA
Jeffrey B. Hill, CPA

Honorable Mayor and
Members of City Council
Moroni City Corporation
Moroni, Utah

Compliance

We have audited the compliance of Moroni City with the types of compliance requirements described in the U.S. Office of Management and Budget (OMB) *Circular A-133 Compliance Supplement* that are applicable to its major federal program for the year ended June 30, 2006. Moroni City's major federal program is identified in the summary of auditor's results section of the accompanying *Schedule of Findings and Questioned Costs*. Compliance with the requirements of laws, regulations, contracts and grants applicable to its major federal program is the responsibility of Moroni City's management. Our responsibility is to express an opinion on Moroni City's compliance based on our audit.

We conducted our audit of compliance in accordance with auditing standards generally accepted in the United States of America; the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States; and OMB Circular A-133, *Audits of States, Local Governments, and Non-Profit Organizations*. Those standards and OMB Circular A-133 require that we plan and perform the audit to obtain reasonable assurance about whether noncompliance with the types of compliance requirements referred to above that could have a direct and material effect on a major federal program occurred. An audit includes examining, on a test basis, evidence about Moroni City's compliance with those requirements and performing such other procedures as we considered necessary in the circumstances. We believe that our audit provides a reasonable basis for our opinion. Our audit does not provide a legal determination of Moroni City's compliance with those requirements.

In our opinion, Moroni City complied, in all material respects, with the requirements referred to above that are applicable to its major federal program for the year ended June 30, 2006.

Internal Control Over Compliance

The management of Moroni City is responsible for establishing and maintaining effective internal control over compliance with the requirements of laws, regulations, contracts and grants applicable to federal programs. In planning and performing our audit, we considered Moroni City's internal control over compliance with requirements that could have a direct and material effect on a major federal program in order to determine our auditing procedures for the purpose of expressing our opinion on compliance and to test and report on internal control over compliance in accordance with OMB Circular A-133.

Our consideration of the internal control over compliance would not necessarily disclose all matters in the internal control that might be material weaknesses. A material weakness is a reportable condition in which the design or operation of one or more of the internal control components does not reduce to a relatively low level the risk that noncompliance with applicable requirements of laws, regulations, contracts, and grants caused by error or fraud that would be material in relation to a major federal program being audited may occur and not be detected within a timely period by employees in the normal course of performing their assigned functions. We noted no matters involving the internal control over compliance and its operation that we consider to be material weaknesses.

This report is intended solely for the information of the Mayor, City Council and management of Moroni City, the Utah State Auditors Office, and federal awarding agencies and pass-through entities and is not intended to be and should not be used by anyone other than these specified parties.

James E. Keoldington

October 27, 2006

MORONI CITY
SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS
For the Year Ended June 30, 2006

<u>Federal Grantor/Pass-Through Grantor/Program Title</u>	<u>Federal CFDA Number</u>	<u>Pass-Through Grantor's Number</u>	<u>Disbursements Expenditures</u>
<u>U.S. Department of Defense</u>			
Direct Program:			
US Army Corps of Engineers	Unavailable	N/A	\$ 180,667
<u>Environmental Protection Agency</u>			
Pass Through The Utah State Department of Environmental Quality	66.458	None	<u>3,649,781</u>
Total Federal Financial Assistance			<u><u>\$ 3,830,448</u></u>

See accompanying notes to the Schedule of Expenditures of Federal Awards.

MORONI CITY
NOTES TO THE SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS

Significant Accounting Policies

The following information regarding the schedule of expenditures of federal awards is provided to assist the reader in understanding the accounting policies regarding, and the nature of the federal awards.

1. *General* – the *Schedule of Expenditures of Federal Awards* presents the activity of all federal awards of Moroni City. Federal awards received directly from federal agencies as well as federal awards passed-through other governmental agencies are included on the *Schedule of Expenditures of Federal Awards*.
2. *Basis of Accounting* – The *Schedule of Expenditures of Federal Awards* is presented using the modified accrual basis of accounting.



**AUDITOR'S REPORT ON STATE OF UTAH
LEGAL COMPLIANCE**

Jensen & Keddington, P.C.

Certified Public Accountants

Jeffrey B. Jensen, CPA
Gary K. Keddington, CPA
Brent E. Christensen, CPA
Jeffrey B. Hill, CPA

Honorable Mayor and
Members of City Council
Moroni City Corporation
Moroni, Utah

We have audited the basic financial statements of the governmental activities, the business-type activities, and each major fund of Moroni City, for the year ended June 30, 2006, and have issued our report thereon dated October 27, 2006. As part of our audit, we have audited Moroni City's compliance with the requirements governing types of services allowed or unallowed; eligibility; matching, level of effort, or earmarking; reporting; special tests and provisions applicable to each of its major State assistance programs as required by the State of Utah Legal Compliance Audit Guide for the year ended June 30, 2006. The City received the following major State assistance program from the State of Utah:

B&C Road Funds (Department of Transportation)
Liquor Law Enforcement (State Tax Commission)

Our audit also included testwork on the City's compliance with those general compliance requirements identified in the State of Utah Legal Compliance Audit Guide, including:

Public Debt
Cash Management
Purchasing Requirements
Budgetary Compliance
Truth in Taxation and Property Tax Limitations
Liquor Law Enforcement
Justice Courts
B & C Road Funds
Other General Compliance Issues

The management of Moroni City is responsible for the City's compliance with all compliance requirements identified above. Our responsibility is to express an opinion on compliance with those requirements based on our audit.

We conducted our audit in accordance with auditing standards generally accepted in the United States of America and *Government Auditing Standards*, issued by the Comptroller General of the United States. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether material noncompliance with the requirements referred to above occurred. An audit includes examining, on a test basis, evidence about the City's compliance with those requirements. We believe that our audit provides a reasonable basis for our opinion.

The results of our audit procedures disclosed immaterial instances of noncompliance with the requirements referred to above, which are described in the accompanying *Schedule of Findings and Questioned Costs*. We considered these instances of noncompliance in forming our opinion on compliance, which is expressed in the following paragraph.

In our opinion, Moroni City complied, in all material respects, with the general compliance requirements identified above and the requirements governing types of services allowed or unallowed; eligibility; matching, level of effort, or earmarking; reporting; and special tests and provisions that are applicable to each of its major State assistance programs for the year ended June 30, 2006.

Jensen & Keddington

October 27, 2006

**MORONI CITY
SCHEDULE OF FINDINGS AND QUESTIONED COSTS**

A. SUMMARY OF AUDIT RESULTS

1. The auditor's report expresses an unqualified opinion on the financial statements of Moroni City.
2. There were no material weaknesses disclosed during the audit of the financial statements.
3. There were no instances of noncompliance material to the financial statements of Moroni City, which would be required to be reported in accordance with *Government Auditing Standards*, disclosed during the audit.
4. There were no material weaknesses and no instances of reportable conditions in internal control which were disclosed during the audit of the major federal award programs of Moroni City.
5. The auditor's report on compliance for the major federal award programs for Moroni City expresses an unqualified opinion.
6. There were no audit findings relative to the major federal award program that are required to be reported in accordance with *Government Auditing Standards*.
7. The programs tested as major programs included:
Environmental Protection Agency – CFDA No. 66.458
8. The threshold for distinguishing Types A programs was \$300,000.
9. Moroni City does not qualify as a low-risk auditee.

B. FINDINGS – FINANCIAL STATEMENTS AUDIT AND GOVERNMENT AUDITING STANDARDS

None

C. FINDINGS AND QUESTIONED COSTS – MAJOR FEDERAL AWARD PROGRAMS AUDIT

None

D. FINDINGS – STATE OF UTAH LEGAL COMPLIANCE (Immaterial instances of Noncompliance)

1. **Expenditures in Excess of Budget
Finding**

Per Utah State Code 10-6-123, officers and employees of the entity shall not incur expenditures or encumbrances in excess of the total appropriation for any department or fund. The City's expenditures exceeded the budget in general government and public safety departments in the amount of \$3,519 and \$1,353 respectively. A similar finding was included in the prior year's audit report.

Recommendation:

We recommend that the City closely monitor expenditures in all departments to ensure compliance with the Utah State Code 106-123.

MORONI CITY
SCHEDULE OF FINDINGS AND QUESTIONED COSTS (Continued)

D. FINDINGS – STATE OF UTAH LEGAL COMPLIANCE (Immaterial instances of Noncompliance)
(Continued)

2. Excessive Fund Balance

Finding

Utah State Code 10-6-116(2) indicates that the maximum fund balance in the general fund may not exceed 18% of the total estimated revenue of the general fund. The City's final unreserved fund balance in the general fund exceeds 18% of the total estimated revenue of the fund. Based on fiscal year 2007 estimated general fund revenues of \$456,700, the unreserved general fund balance at June 30, 2006 of \$87,099 exceeds the 18% limit by \$4,893.

Recommendation:

We recommend that the City make budgeting changes to bring unreserved general fund balance into compliance with Utah State Code.

3. Justice Court – Surcharge Remittance

Finding

Utah Code Section 51-4-2(4)(a) states that all justice courts, having funds due to the State or any political subdivision, shall on or before the tenth day of the month, pay all funds receipted within the preceding month to the appropriate public treasurer. We noted that the City submitted their payment to the state after the 10th of the month for nine of the twelve months of the year.

Recommendation:

We recommend that the City submit their payments to the state by the tenth of the subsequent month.

4. Purchasing Policy

Finding

Moroni City has a policy regarding the procedures to follow when purchasing various items. Compliance with this policy was tested as part of the cash disbursements testing. Of the 25 items tested, one item failed to comply with the purchase order policy. This could result in items being purchased which are not in the departments budget, or that would not be approved if proper procedures were followed. This appears to be the result of the opera house not submitting purchase orders for items to be purchased.

Recommendation:

The Utah Procurement Code and the Uniform Fiscal Procedures Act for Cities require cities to adopt and follow a purchasing policy. We recommend that Moroni City comply with its purchasing policy by ensuring that all purchases requiring a purchase order have one before the purchase is completed.

MORONI CITY'S RESPONSE TO FINDINGS AND RECOMMENDATIONS

Section D, Finding #1 – Expenditure in Excess of Budget (Immaterial Instance of Noncompliance)

Response.

Moroni City Mayor and Council will watch the budget more closely and be aware if any area is at risk of going over budget.

Section D, Finding #2 – Excessive Fund Balance (Immaterial Instance of Noncompliance)

Response.

Moroni City will make budgeting changes to bring unreserved general fund balance into compliance with Utah State Code to not exceed the 18% limit.

Section D, Finding #3 – Justice Court – Surcharge Remittance (Immaterial Instance of Noncompliance)

Response.

Surcharge payments to the State will be sent in a timely manner so they will be received by the State on or before the 10th day of each month.

Section D, Finding #4 – Purchasing Policy (Immaterial Instance of Noncompliance)

Response.

Moroni City will be more diligent in ensuring that a purchase order is completed and approved before purchase is completed.

MORONI CITY
SCHEDULE OF PRIOR AUDIT FINDINGS

REPORTABLE CONDITIONS

IMPROPER COLLECTION OF CASH

Finding

It is the responsibility of the City Treasurer to ensure that funds collected by the city are properly recorded and deposited by the City. During the audit we noted that the cash collection procedures set up by the Treasurer to be used during special events, such as 4th of July and the Miss Moroni Pageant, were not followed by the cashiers. This resulted in the Treasurer not being able to correctly reconcile the funds received by the City. Also, because of the cashiers not following the procedures, the City was not able to determine whether all the funds collected at the events were submitted to the City.

Recommendation

We recommend that the City establish controls to monitor the procedures performed by the cashiers to ensure that all funds are accounted for and deposited into the City's account.

Current Status

The City appears to have resolved this issue.

Finding

In order to insure that all funds that are collected in the name of the City are properly deposited and accounted for by the City, the state has designated that all money collections be the responsibility of the treasury department. During the audit we noted that the outside contractor hired by the City to perform animal control functions was allowed to accept monies for and in behalf of the City for animal fines and caretaking. Thus the City is in violation of state law by allowing a party outside of the treasury function to collect fees and fines for and in behalf of the City.

Recommendation

We recommend that the City only allow the treasurer, and those performing treasury functions under the treasurer's supervision, to collect money for the City.

Current Status

The City appears to have resolved this issue.

STATE LEGAL COMPLIANCE

Immaterial Instances of Noncompliance

EXCESSIVE FUND BALANCE

Finding

Utah State Code 10-6-116(2) indicates that the maximum fund balance in the general fund may not exceed 18% of the total estimated revenue of the general fund. The City's final unreserved fund balance in the general fund exceeds 18% of the total estimated revenue of the fund. Based on fiscal year 2006 estimated general fund revenues of \$482,850, the unreserved general fund balance at June 30, 2005 of \$93,451 exceeds the 18% limit by \$6,538.

MORONI CITY
SCHEDULE OF PRIOR AUDIT FINDINGS (Continued)

STATE LEGAL COMPLIANCE (Continued)

Immaterial Instances of Noncompliance (Continued)

EXCESSIVE FUND BALANCE (Continued)

Recommendation

We recommend that the City make budgeting changes to bring unreserved general fund balance into compliance with Utah State Code.

Current Status

The City has not resolved this issue. A similar finding was noted in the current year.

EXPENDITURES IN EXCESS OF BUDGET

Finding

Per Utah State Code 10-6-123, officers and employees of the entity shall not incur expenditures or encumbrances in excess of the total appropriation for any department or fund. The City's expenditures exceeded the budget in parks and recreation department in the amount of \$7,016. A similar finding was included in the prior year's audit report.

Recommendation

We recommend that the City closely monitor expenditures in all departments to ensure compliance with the Utah State Code 106-123.

Current Status

The City has not resolved this issue. A similar finding was noted in the current year.

PAYMENT OF FUNDS DUE TO THE STATE

Finding

Utah Code Section 51-4-2(4)(a) states that all justice courts, having funds due to the State or any political subdivision, shall on or before the tenth day of the month, pay all funds receipted within the preceding month to the appropriate public treasurer. We noted that the City submitted their payment to the state after the 10th of the month for eleven of the twelve months of the year. A similar finding was included in the prior year's audit report.

Recommendation

We recommend that the City submit all funds that are due to the State within the time allowed by Utah State Code.

Current Status

The City has not resolved this issue. A similar finding was noted in the current year.

MORONI CITY
SCHEDULE OF PRIOR AUDIT FINDINGS (Continued)

STATE LEGAL COMPLIANCE (Continued)

Immaterial Instances of Noncompliance (Continued)

PURCHASING POLICY

Finding

Moroni City policy requires a purchase order for all purchases over \$150.00. Compliance with this policy was tested as part of the cash disbursements testing. Of the 25 items tested, 16 purchases required a purchase order. Of those 16, one item failed to comply with the purchase order policy.

Recommendation

The Utah Procurement Code and the Uniform Fiscal Procedures Act for Cities require cities to adopt and follow a purchasing policy. We recommend that Moroni City comply with its purchasing policy by ensuring that all purchases requiring a purchase order have one.

Current Status

The City has not resolved this issue. A similar finding was noted in the current year.

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**Moroni City Corporation
2006 Response to findings and recommendations**

Finding #1

*Expenditure in Excess of Budget (Immaterial Instance of Noncompliance)
Per Utah State Code 10-6-123, officers and employees of the entity shall not incur expenditures or encumbrances in excess of the total appropriation for any department or fund. The City's expenditures exceeded the budget in general government and public safety departments in the amount of \$3,519 and \$, 353 respectively.*

Recommendation:

We recommend that the City closely monitor expenditures in all departments to ensure compliance with the Utah State Code 106-123.

Response:

Moroni City Mayor and Council and Recorder is watching the budget more closely and will make the necessary changes in the budget to ensure that the expenditures do not exceed the budget and make sure that the invoices are billed to the appropriate fiscal year at year end.

Finding #2

Excessive Fund Balance

Utah State Code 10-6-116(2) indicates that the maximum fund balance in the general fund may not exceed 18% of the total estimated revenue of the general fund. The City's final unreserved fund balance in the general fund exceeds 18% of the total estimated revenue of the fund. Based on fiscal year 2007 estimated general fund revenues of \$456,700, the unreserved general fund balance at June 30, 2006 of \$86,099 exceeds the 18% limit by \$4,893.

Recommendation:

We recommend that the City make budgeting changes to bring unreserved general fund balance into compliance with Utah State Code.

Response:

Moroni City will make budgeting changes to bring unreserved general fund balance into compliance with Utah State Code to not exceed the 18% limit. Councilmember David Crosland will watch the budget to make sure the general fund does not exceed the 18% limit.

Finding #3*Justice Court-Surcharge Remittance*

Utah Code Section 51-4-2(4)(a) states that all justice courts, having funds due to the State or any political subdivision, shall on or before the tenth day of the month, pay all funds receipted within the preceding month to the appropriate public treasurer. We noted that the City submitted their payment to the state after the 10th of the month for nine of the twelve months of the year.

Recommendation:

We recommend that the City submit their payments to the state by the tenth of the subsequent month.

Response:

Surcharge payments to the State will be sent in a timely manner by Recorder Becky Kendall so they will be received by the State on or before the 10th day of each month.

Finding #4*Purchasing Policy*

Moroni City has a policy regarding the procedures to follow when purchasing various items. Compliance with this policy was tested as part of the cash disbursement testing. Of the 25 items tested, one item failed to comply with the purchase order policy. This could result in items being purchased which are not in the departments budget, or that would not be approved if proper procedures were followed. This appears to be the result of the opera house not submitting purchase orders for items to be purchased.

Recommendation:

The Utah Procurement Code and the Uniform Fiscal Procedures Act for cities to adopt and follow a purchasing policy. We recommend that Moroni City comply with its purchasing policy by ensuring that all purchases requiring a purchase order have one before the purchase is completed.

Response:

Recorder Becky Kendall will be more diligent in ensuring that a purchase order is completed and approved before purchase is completed.